

## **4 FAH-3 H-400 VOUCHERS AND CLAIMS**

### **4 FAH-3 H-410 GENERAL**

*(TL:FMP-20; 07-25-2003)  
(Office of Origin: RM/GFS/FPRA/FPMC)*

### **4 FAH-3 H-411 SCOPE**

#### **4 FAH-3 H-411.1 Description and Purpose**

*(TL:FMP-3; 05-30-1995)*

This chapter is applicable to voucher and claim processing and certification. It serves as the single, comprehensive, and authoritative source of procedural information related to the policies and regulations in 4 FAM 400. The information contained herein is common to applicable topics such as authorities, internal controls and definitions.

#### **4 FAH-3 H-411.2 Organization and Layout**

*(TL:FMP-3; 05-30-1995)*

The organization of this chapter reflects the flow of work within the area of vouchering and claims. General sections (those applicable to all types of vouchers) are followed by vouchering for special items such as travel, travel advances, transportation, and claims. It is organized as follows:

- (1) 4 FAH-3 H-410 —General, provides information common to all topics in this chapter and the forms used;
- (2) 4 FAH-3 H-420 —Voucher Processing, presents the work flow in the vouchering process from the receipt of invoices through the approval and prepayment examination stages;
- (3) 4 FAH-3 H-430 —Voucher Certification and Payment, describes the certification process and states the Department's prescribed

procedures on certification, elaborates on liabilities of certifying officers, and describes some aspects of the disbursement process;

- (4) 4 FAH-3 H-440 —Exceptions in Vouchering Special Items, contains information on special or non-typical items of expenditure, and describes exceptions to the rule as stated in 4 FAH-3 H-410, 4 FAH-3 H-420 and 4 FAH-3 H-430, and must be used in addition to these subchapters;
- (5) 4 FAH-3 H-450 —Special Voucher Processes contains prescribed procedures for processing and paying other vouchers such as imprest funds, other agency expenses and other procurement systems;
- (6) 4 FAH-3 H-460 —Travel Vouchers and Advances, contains special procedures on the processing and payment of travel vouchers, issuance of advances to travelers on official business, the recovery of such advances by submission of a travel voucher and/or by direct refund, the U.S. Government charge card and travelers check programs, and Congressional travel;
- (7) 4 FAH-3 H-470 —Transportation of Passengers and Things, states the procedures on billings for the transportation of passengers and property by a carrier, carrier's agent, travel agency, or transfer company, as well as the treatment and redemption of unused tickets;
- (8) 4 FAH-3 H-480 —Claims Against the United States, presents the prescribed procedures for handling claims against the U.S. Government that are not supported by conclusive contractual obligations and documents. This subchapter provides an overview of the general claim settlement functions and a brief discussion of several types of claims not covered elsewhere; and
- (9) 4 FAH-3 H-490 —Debt Collection, presents the prescribed procedures for collection of claims by the U.S. Government.

## **4 FAH-3 H-412 AUTHORITY**

*(TL:FMP-3; 05-30-1995)*

The Departmental policies in 4 FAM 400 derive their authority from two major sources—statutes and regulatory agencies' directives. Specific authorities for travel vouchers and advances, transportation vouchers, and claims are provided in a separate section within the corresponding

subchapter.

## **4 FAH-3 H-412.1 Statutes and Regulations**

*(TL:FMP-3; 05-30-1995)*

- a. The Accounting and Auditing Act of 1950 requires the U. S. Comptroller General to prescribe the principles, standards, and related requirements for the accounting to be observed by each U.S. agency. It requires the head of each U.S. agency to be responsible for establishing and maintaining systems of accounting and internal controls;
- b. The Prompt Payment Act of 1982 (Pub.L. 97-177), as amended (Pub.L. 100-496) requires U.S. agencies to pay their bills on time, to pay interest penalties when payments are late, and to take discounts only when payments are made within the discount period. The amendments clarify and strengthen the act through stricter regulations for acceptance of goods and services, defective invoices, payments, and interest;
- c. The Anti-Deficiency Act, revised statute 3679 (31 U.S.C. 665), as amended, dictates that obligations or disbursements will not exceed amounts appropriated, amounts apportioned, or amounts allotted for administrative control;
- d. The Federal Managers' Financial Integrity Act of 1982 (Pub. L. 97-255) requires quality systems of internal accounting and administrative controls in U.S. agencies. The head of each agency is to ensure that management controls are in accordance with the Comptroller General's standards, issue a statement attesting to the adequacy of such controls or report any weaknesses and submit plans for their correction;
- e. United States Code Title 31—Money and Finance;
- f. 22 Code of Federal Regulations, Chapter 1—Foreign Relations;
- g. 41 Code of Federal Regulations—Public Contracts and Property Management;
- h. Foreign Service Act of 1980, Chapter 9; and
- i. Overseas Allowances and Differential Act, Chapters 55 and 59, 5 U.S.C.

## **4 FAH-3 H-412.2 U.S. Regulatory Agencies' Directives**

*(TL:FMP-3; 05-30-1995)*

- a. GAO Policies and Procedures Manual for Guidance of Federal Agencies (GAO):
- Title 2—Accounting (2 GAO);
  - Title 3—Auditing (3 GAO);
  - Title 4—Claims (4 GAO);
  - Title 5—Transportation (5 GAO);
  - Title 7—Fiscal Procedures (7 GAO); and
  - Title 8—Records Management (8 GAO).
- b. OMB Circular A-123, revised on August 4, 1986 prescribes policies and procedures to be followed by U.S. agencies in establishing, maintaining, evaluating, improving, and reporting on internal controls in their program and administrative activities;
- c. OMB Circular A-125 prescribes implementing regulations for the Prompt Payment Act (see 4 FAH-3 H-412.1);
- d. OMB Circular A-127, issued December 1984, and related bulletins prescribe policies and procedures to be followed by U.S. Agencies in developing, operating, evaluating, and reporting on financial management systems; and
- e. Treasury Financial Manual (TFM), Volume I:
- Part 1—Introduction (I TFM 1);
  - Part 2—Central Accounting and Reporting (I TFM 2); and
  - Part 4—Disbursing (I TFM 4).

## **4 FAH-3 H-412.3 Other Source Guidelines**

*(TL:FMP-3; 05-30-1995)*

Besides statutes and U.S. regulatory agency directives, policies derive their authority from other sources such as the following.

- (1) Foreign Affairs Manual (FAM)—Certain policies related to 4 FAM 400 are covered in greater detail elsewhere in 4 FAM and in other volumes of the FAM. A partial list of these references includes:

3 FAM 1900 —Conditions of Services and Employee Benefits

- 4 FAM 000 —Financial Management Policy, Organization and Accounting Principles and Standards;
  - 4 FAM 200 —Allotment Accounting;
  - 4 FAM 300 —Cash Management and Accounting;
  - 6 FAM —Travel, Transportation, and Storage of Effects; and
  - 6 FAM —Foreign Buildings Operations;
- (2) Standardized Regulations (Government Civilians, Foreign Areas) (SR (GC, FA)) which the Department's Allowances Staff (A/ALS) produces.
- (3) Principles of Federal Appropriations Law, GAO Office of General Counsel, 1982, which includes such relevant chapters as:
- Chapter 3—Availability of Appropriations as to Purpose;
  - Chapter 4—Availability of Appropriations as to Time;
  - Chapter 5—Availability of Appropriations as to Amount;
  - Chapter 10—Liability and Relief of Accountable Officers; and
  - Chapter 11—Claims Against and By the United States.

## **4 FAH-3 H-413 APPLICABILITY**

*(TL:FMP-3; 05-30-1995)*

This chapter contains the prescribed Departmental procedures for both domestic and post operations. These procedures are supplemented by the Financial Management System (FMS) User manuals for specifying steps within individual tasks and processes. Any differences in application between domestic and post operations are indicated within the relevant section.

## **4 FAH-3 H-414 DEFINITIONS**

*(TL:FMP-3; 05-30-1995)*

- a. This section contains definitions of terms that are commonly used in 4 FAM 400. Definitions of specific terms that apply only to a topic are

provided within the subchapter for that topic, either when they are used, or in a separate section for definitions.

**An accountable officer** is any U.S. Government officer or employee who is responsible for or has custody of U.S. Government funds. The officer is personally liable to the U.S. Government for any losses the U.S. Government may incur due to the officer's actions or failure to act, unless and until relief is granted or the loss is recovered. Accountable officers include such officials as authorized disbursing officers, certifying officers, collecting officers, cashiers, or consular officers and other employees who have custody of U.S. Government funds.

**Approval**, as distinguished from certification, is the attesting by an authorized individual that the provider of goods or services for which the voucher is being prepared, is entitled to payment subject to the goods received or services performed being accepted as satisfactory. Receipt and payment approval may be a combined attesting.

A **Cashier** is an accountable officer or employee of the U.S. Government, who is designated by an officer responsible for making disbursements (such as a USDO or, an FMO at a post). A cashier is authorized to receive money and perform limited disbursing and other functions. Cashiers can belong to one of three categories; principal Class B cashiers, alternate cashiers, and sub-cashiers (see 4 FAH-3 H-390 for more details on cashiers and the cashiering function).

**Certification** refers to the final authorization for payment by an authorized certifying officer. Certification is required for all vouchers, except those covered by voucher schedules. In the case of voucher schedules, the certifying officer's signature applies to all the individual vouchers listed on the schedule.

A **Certifying Officer** is an accountable officer for one or more U.S. agencies who has been charged with the responsibility of certifying vouchers for payment. A certifying officer is responsible for verifying the accuracy and propriety of all documents upon which payment is to be based and certifying that the payment is legal, correct, and proper, and:

- (1) The certifying officer is personally liable for all certifications for payment. Certifying officers are accountable for, and required to make good to the U.S. Government, the amount of any illegal or improper payment resulting from their certification. The conclusions and actions of a certifying officer are governed by pertinent laws and regulations and the exercise of prudent judgment; and

- (2) A voucher payable to a certifying officer, other than a payroll voucher, is to be signed by another officer authorized to certify (31 U.S.C. 3528; 7 GAO, Chapter 7; 3 GAO, Chapter 6).

**Claim** is a demand for monies due or alleged to be due.

**Deductions** are amounts subtracted from the gross voucher amount to arrive at the payment amount. Deductions are for:

Cash discounts offered by vendors;

Credit memos (debts) that need to be offset; or

Adjustments specified in the contract.

**Disallowances** are amounts subtracted from voucher amounts to reflect administrative decisions not to pay the entire amount claimed. Disallowances may result from nonperformance, improper performance, improper billings, insufficient proof of performance, offset of a debt and so on.

**Financial Management Officer** (FMO), formerly known as a budget and fiscal officer (BFO), has responsibilities for post financial operations. Some of these fiscal responsibilities include:

Ensuring that post funds are not over-obligated, or over-expended;

Maintaining all required budgetary and accounting records;

Maintaining proper controls of cash funds;

Ensuring that all liabilities are liquidated promptly in accordance with prescribed regulations;

Ensuring that obligating documents and vouchers are properly prepared and approved, and are valid;

Ensuring that budgeting and financial reports are rendered accurately and promptly; and

Controlling cash funds maintained at post.

**Invoice** See "voucher."

**Payment** is the disbursement of an obligation by issuing a check, cash, or funds transfer. Payment occurs on the date the U.S. Treasury check or wire transfer is issued by the paying office (FMC or RAMC), not the date it is recorded.

**Preparation** is the completion of all required information on a voucher. It includes making copies, attaching statements and certificates, ensuring that foreign currency information is correct, etc. Preparation may be done by the vendor, the claimant, the traveler, the ordering office, or the procurement office.

**Prepayment examination** refers to the examination of vouchers prior to certification. The objectives of a prepayment examination are to ensure the legality of the appropriation or fund involved, the accuracy, of the payment, and the existence of supporting documentation.

**Processing** refers to the receiving, sorting, preparing, approving, and prepayment examining of vouchers. It begins with the receipt of vouchers and concludes with the prepayment examination and presentation of vouchers for certification.

**Receipt of goods or services** is the signature acknowledgment that goods ordered have been received or that services have been performed. This acknowledgment is the basis for approval.

**Reimbursements** refer to payments made by one U.S. Government agency to another to liquidate account payables arising from purchases of goods or services by the other U.S. agency on behalf of the reimbursing U.S. agency.

**Suspensions** refer to amounts subtracted from voucher amounts to reflect nonperformance or nonconformance to policy, lack of information, etc. The amount is withheld from the claimant and kept in suspense until the matter is resolved.

**U.S. Disbursing Officer (USDO)** is an employee of the Department of State who disburses U.S. public funds in foreign countries based on certified documents. A USDO has authority to disburse by direct delegation from the Chief Disbursing Officer of the U.S. Treasury. See 4 FAM 330 — Disbursements for authority and legal provisions related to a USDO.

A **Voucher** is an invoice or document used to authorize a payment. The document can be a form prescribed by a U.S. agency and approved by the U.S. Treasury Department (e.g., domestically, Form SF-1034, Public Voucher for Purchases and Services Other Than Personal; and for overseas, Form OF-206, Purchase Order, Receiving Report and Voucher) or an invoice, if it has all the required information.

**Voucher and Schedule of Payments** (Form SF-1166 OCR), hereafter known as "voucher schedule," is a document used to authorize a payment. A voucher schedule might be a group of examined vouchers consolidated on the basis of the type of expense or the mode of payment.



## 4 FAH-3 H-415 FORMS

*(TL:FMP-20; 07-25-2003)*

The following are some of the major vouchering forms prescribed and referred to in this chapter. This list is inclusive, not exhaustive, and contains only the major forms used in the vouchering process.

- (1) **AD-616-USDA**, Travel Voucher, used to process travel expenses and allowances for claims processed domestically.
- (2) **DS-189**, Travel Reimbursement Voucher, used to process travel expenses and allowances for claims processed overseas.
- (3) **OF-206**, Purchase Order, Receiving Report and Voucher, (formerly known as FS-455), used to voucher all purchases and services other than personal where payment is to be made by a USDO. May also be used in place of special forms that are not readily available.
- (4) **OF-1129**, Cashier Reimbursement Voucher and/or Accountability Report, used by a cashier to account and be reimbursed for imprest funds.
- (5) **SF-210**, Signature Card for Certifying Officer, a card containing the official signature of an authorized certifying officer, as certified by the Agency Head or designee.
- (6) **SF-1034**, Public Voucher for Purchases and Services Other Than Personal, used to voucher domestic and foreign disbursements for purchases and services other than personal.
- (7) **SF-1047**, Public Voucher for Refunds, used to process refunds due remitters.
- (8) **SF-1049**, Public Voucher for Refunds, same as SF 1047. (Tabular Form)
- (9) **SF-1080**, Voucher for Transfers Between Appropriations and/or Funds, used as a charge document and disbursement voucher by the agency receiving the funds.
- (10) **SF-1081**, Voucher and Schedule of Withdrawals and Credits, used by agencies within the Treasury disbursing area to conduct interagency expenditure transactions.
- (11) **SF-1096**, Schedule of Voucher Deductions, used to schedule deductions from disbursement vouchers.

- (12) **SF-1143**, Advertising Order, used to place all orders for advertising in newspapers and periodicals and to voucher all payments for advertising.
- (13) **SF-1166**, Voucher and Schedule of Payments, used to schedule payments in place of transmitting individual basic vouchers and supporting documentation.

## 4 FAH-3 H-416 MANAGEMENT CONTROLS

### 4 FAH-3 H-416.1 Scope

*(TL:FMP-3; 05-30-1995)*

This section describes the specific management controls for voucher and claims processing and certification. It does not include management control procedures that are part of the workflow for processing and certifying vouchers and claims, such as prepayment examination of vouchers, statistical sampling, checks to prevent duplicate payment, etc. Those management control procedures are described in 4 FAH-3 sections where the workflow is described. This section focuses on the internal control checks and balances that are to be carried out in addition to the workflow steps.

### 4 FAH-3 H-416.2 Authority

*(TL:FMP-3; 05-30-1995)*

Management controls are needed to comply with existing statutes, U.S. regulatory agencies' directives, and Department directives. The major management controls authorities are:

- (1) Accounting and Auditing Act of 1950, requires the U. S. Comptroller General to prescribe the principles, standards, and related requirements for the accounting to be observed by each U.S. agency. It requires the head of each U.S. agency to be responsible for establishing and maintaining systems of accounting and internal controls;
- (2) Federal Managers' Financial Integrity Act of 1982, Pub.L. 97-255 (31 U.S.C. 3512(b)), which requires that internal accounting and administrative controls of each U.S. Agency shall be established in accordance with standards prescribed by the Comptroller General. 2 GAO, Accounting, Appendix II, contains the Comptroller General's internal control standards to be followed by U.S. Agencies as

required by this Act;

- (3) OMB Circular A-123 (as revised and updated), which defines the implementation regulations for the Federal Managers' Financial Integrity Act of 1982;
- (4) Chief Financial Officers Act of 1990, Pub. L. 101-576, November 15, 1990.

## **4 FAH-3 H-416.3 Requirements**

*(TL:FMP-3; 05-30-1995)*

The management controls specified herein are as proscribed for accounting systems in 2 GAO, Chapter 3.

### **4 FAH-3 H-416.3-1 Documentation**

*(TL:FMP-3; 05-30-1995)*

There should be complete, accurate, and easily accessible documentation for the use of all persons involved in voucher and claim processing. The documentation should include policy, procedures manuals, work flow descriptions and, if applicable, systems manuals.

### **4 FAH-3 H-416.3-2 Transactions and Events Record**

*(TL:FMP-3; 05-30-1995)*

- a. Transactions are to be recorded promptly, and should be based on:

- Receipt of goods;

- Receipt, examination, approval, and certification of vouchers;

- Claims made against the U.S. Government; and

- Recognition of claims of the U.S. Government against its debtors.

- b. The intent is to accelerate processing (to conform to statutes such as the Prompt Payment Act) and to maintain updated information for reporting, reviewing, and auditing purposes.

### **4 FAH-3 H-416.3-3 Execution of Transactions and Events**

*(TL:FMP-3; 05-30-1995)*

Each organizational entity should establish procedures that will prevent employees from exceeding their authority and ensure that only authorized persons can:

Receive goods and approve performance of services;

Examine and certify vouchers for payment; and

Settle claims.

#### **4 FAH-3 H-416.3-4 Separation of Duties**

*(TL:FMP-3; 05-30-1995)*

a. 7 GAO, 20.5, Segregation of Operations, is the relevant authority on the separation of duties.

b. In accordance with prudent internal control practices, the following operations should be segregated from one another:

Purchasing goods and services;

Recording receipt of goods and services;

Examining invoices;

Preparing vouchers;

Disbursing funds; and

Settling claims.

c. At bureaus/offices and posts with limited staff, duties could overlap. In such instances, there should be a system of checks and balances and active supervision to ensure that responsibilities are being properly carried out. Overseas posts with limited staff may require, in situations other than those referred to above, the same individual to perform conflicting functions. In such instances, procedural guidance should be sought from the relevant policy-making authorities (FMP/F/FMS/FPMC).

#### **4 FAH-3 H-416.3-5 Supervision**

*(TL:FMP-3; 05-30-1995)*

Management control objectives are achieved by instituting a system of supervision. Supervision of voucher processing and certification includes:

Assigning responsibilities and duties to branch chiefs, supervisors,  
team leaders, voucher examiners, and clerical staff;

Reviewing the work periodically; and

Approving the work at critical junctures.

#### **4 FAH-3 H-416.3-6 Resource Access and Accountability**

*(TL:FMP-3; 05-30-1995)*

- a. Only authorized (as defined within each bureau/office or post) individuals should have access to certain Departmental resources. The term resources includes funds, inventory, information, space, systems, and equipment. For example:

Procurement personnel and examiners should not be able to enter  
receiving information; and

Receiving personnel should not be able to enter procurement  
information.

- b. Only authorized individuals should have access for the receipt, examination, and certification of classified or confidential non-security information. To prevent unauthorized access, all incoming mail should be clearly marked. Internal controls must include separation of duties and active supervision.

#### **4 FAH-3 H-416.3-7 Audit Trail**

*(TL:FMP-3; 05-30-1995)*

- a. An audit trail refers to the documentary or other evidence in place (on hard copy or magnetic storage devices) that allows the retracing of a transaction to its source.
- b. For each individual claim the audit trail includes, but is not restricted to:

Requisition of goods;

Request for proposals or solicitations;

Issuance of purchase order or contract;

Preparation of a receiving report or other evidence of performance  
or receipt;

Preparation of vendor or U.S. agency invoice or voucher;

Verification of names and signatures of individuals authorized to  
approve transactions; and

Maintenance of logs to track claims in transit and voucher  
schedules.

c. Audit trail requirements for the entire voucher and claim process include:

- (1) Accounting classification codes;
- (2) Maintenance of relevant dates such as preparation date, processing date, accounting date;
- (3) Maintenance of records (i.e., authorization of individuals to perform specific functions, signature cards, letter of authorization);
- (4) Retention of supporting documentation and certificates (see 4 FAH-3 H-416.3-8, Records Management);
- (5) Retention of vouchers, supporting documentation, calculations, and computations, etc., for manual systems; and
- (6) Maintenance, in an automated environment, of batch control logs, header and trailer records, error listings, suspense and exception reports, etc.

## **4 FAH-3 H-416.3-8 Records Management**

*(TL:FMP-3; 05-30-1995)*

- a. The Department's policies concerning records management are described in 5 FAM 400, and the practices and procedures for records management, are detailed in the Records Management Handbook (5 FAH-4 ).
- b. If an original document is required for investigation or inspection purposes a copy of the original document with a statement signed by the requesting official that the copy on file is a true copy of the original may be used.

## **4 FAH-3 H-416.4 Paying Office Contract Files**

*(TL:FMP-3; 05-30-1995)*

In accordance with GAO Titles 7 and 8 and FAR 4.803(c), paying finance offices will maintain a Paying Office Contract File of each contract, as defined

in FAR 2.101, issued for payment by that paying office. Each contract file shall be kept separately, by means of either a hard copy or machine readable record, documenting the actions prerequisite to, substantiating, and reflecting the contract payments which shall be cross-referenced to the payment schedules. The file shall be assembled to contain a copy of:

- (1) The contract and any modification(s);
- (2) Each bill, invoice, or voucher, with supporting documents related to the contract;
- (3) A record of each payment or receipt, including the source of funding and the unexpended balance (obligated amount of the contract net of payments or receipts); and
- (4) Other pertinent documents.

## **4 FAH-3 H-417 TAX REPORTING REQUIREMENTS**

### **4 FAH-3 H-417.1 Scope**

*(TL:FMP-3; 05-30-1995)*

This section defines certain key terms, identifies the authority under which reporting to the Internal Revenue Service (IRS) is required for payments made to certain contractors, and describes the related reporting requirements.

### **4 FAH-3 H-417.2 Authority**

*(TL:FMP-3; 05-30-1995)*

26 U.S.C. sections 60H-41 and 60H-41A require payers, including U.S. Government agencies, to report to the IRS payments made to certain contractors.

### **4 FAH-3 H-417.3 Definitions**

*(TL:FMP-3; 05-30-1995)*

- a. The **Taxpayer Identification Number** (TIN) is a unique number assigned by the IRS to taxpayers (individuals, businesses, and U.S. Agencies) to be used in reporting tax and other returns. In the case of

individuals and sole proprietorships, the TIN of the individual or proprietorship is the Social Security Number (SSN).

- b. The **Employer Identification Number** (EIN) is the TIN obtained by sole proprietors, businesses, and U.S. Agencies to identify themselves when reporting wage and/or salary payments made as employers to other contracted parties.
- c. The **Contractor Establishment Code** (CEC) is a numbering system to identify federal contractors. Federal agencies are required to report vendor activities for commercial vendors with federal contracts of \$25,000 or more using CEC numbers to identify the vendor.
- d. The term, **Compensation**, as used in this section, includes housing and education allowances paid domestically, whether taxable or not; it does not include travel reimbursement if itemized on a nonemployee's invoice.

## 4 FAH-3 H-417.4 Reporting Requirements

### 4 FAH-3 H-417.4-1 Employer Identification Number

*(TL:FMP-3; 05-30-1995)*

Each payment office of the Department (post FMO or FMP/F/DFS/FO) is required to obtain a separate EIN by submitting IRS Form SS-4, Application for Employer Identification Number, to the Internal Revenue Service (IRS).

### 4 FAH-3 H-417.4-2 Report Dates, Forms and Exclusions

*(TL:FMP-3; 05-30-1995)*

- a. The Department payment offices are required by the Internal Revenue Code to complete, by January 31 of each year, certain forms (e.g., IRS Form W-2, IRS Form 1099-MISC) for the tax year ending December 31 of the previous year. The forms are due to the payee on January 31 and to the IRS on February 28 of the year for which the returns are being filed. For example, Tax Year 1990 returns are due on January 31 and February 28, 1991.
- b. Forms to be filed include:
  - (1) IRS Form W-2, Wage and Tax Statement, to report wages paid to personal service contractors for whom taxes were withheld during the year (see 4 FAH-3 H-427 for the policy on withholdings including the criteria and percentage of such withholdings);



- (2) IRS Form 1099-INT, Statement for Recipients of Interest Income, to report interest payments (due to late payments made under the Prompt Payment Act), not including interest on an IRA, of \$600 or more, made to individuals, partnerships, or trusts; and
  - (3) IRS Form 1099-MISC, Statement for Recipients of Miscellaneous Income, to report nonemployee compensation and other payments including rent, royalty, and fees to subcontractors and others not treated as its employees. The Department is to report on this IRS Form 1099-MISC any person, partnership, or professional group (e.g., a medical corporation where the physicians are taxed individually) to whom it has paid in a given calendar year, \$600 or more in any form of compensation. This requirement applies to any recipient overseas, subject to U.S. tax laws, including foreign nationals with "green cards."
- c. The following recipients are not to be reported on IRS Form 1099:
- (1) Recipients whose compensation is reported on IRS Form 941, Employers' Quarterly Federal Tax Return and/or IRS Form W-2;
  - (2) Corporations;
  - (3) Any entity treated like a corporation under law (e.g., a professional association); and
  - (4) Recipients not subject to U.S. tax laws.

## **4 FAH-3 H-418 THROUGH H-419 UNASSIGNED**